

SPONSOR'S

VIEW:

The sponsor said the Governor responded to pressure from one or two cities in vetoing this bill. The sponsor believes that the Governor made a mistake.

NOTES:

For further information, see HSG Daily Floor Report of April 15, 1981.

Interest rate on judgments

(SB 555 by Mauzy)

SUMMARY:

The bill proposed raising the interest rate on judgments from the current 9 percent to a variable rate equal to the discount rate on 90-day commercial paper in effect at the Dallas Federal Reserve Bank. Interest would have accrued from the date the judgment was awarded.

GOVERNOR'S

REASONS

FOR VETO:

The Governor said the bill would have tied the rate to a constantly changing index, making the applicable rate difficult to compute. More importantly, he said, the bill failed to comply with the Constitutional requirement that the Legislature fix a maximum interest rate.

SPONSOR'S

VIEW:

Sen. Mauzy said he was "terribly disappointed" with the veto, adding, "It's a cruel thing for the Governor to sign a bill that raises to 28 percent the rate financial institutions can charge consumers, but refuse to raise the rate on judgments for widows and orphans." The sponsor said the Governor had simply yielded to lobby pressure from the insurance industry. "For years they've gotten by appealing cases. They only pay 9 percent on the judgment, and they can loan the money out at more than twice that during the appeal," he said. Responding to specific reasons the Governor gave for the veto, the sponsor said the applicable interest rate would be easy to determine, since the Federal Reserve publishes it every day. He was particularly critical of the Governor's charge that the absence of a maximum rate rendered the bill unconstitutional, calling it "typical of the type of constitutional analysis his office puts out."

NOTES:

The HSG analysis of the bill appeared in the May 15, 1981 Daily Floor Report.